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	CENTRAL INTELLIGENCE AGENCY Office of Congressional Affairs Washington, D.C. 20505 Telephone: 482-6136 24 JUN 1988
TO: Mr. Britt L. Snider, Minority Counsel Select Committee on Intelligence United States Senate Washington, D.C. 20510	
<p>Dear Britt:</p> <p>Per our discussions please find enclosed.</p> <div data-bbox="824 722 1224 894" style="border: 1px solid black; width: 246px; height: 82px; margin: 10px auto;"></div> <p>Enclosures</p>	

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FERS-2ND CHANCE PROVISION
AN EMPLOYEE'S PERSPECTIVE:
WHY FERS MIGHT BE CHOSEN

The purpose of Section 402, the so-called "FERS-2nd Chance" provision, is to give a small group of Central Intelligence Agency employees the opportunity to join the Federal Employees Retirement System (FERS) Special Category rather than remain in the Central Intelligence Agency Retirement and Disability System (CIARDS). These are individuals who were not designated into CIARDS at the time of the original FERS transfer period. Because they could not be certain that they would ever earn the 60 months qualifying time required for participation in FERS Special Category they did not know with any certainty under which retirement system they would be covered: Civil Service Retirement and Disability (CSRDS), CIARDS, FERS or FERS Special. Since designation as a CIARDS participant significantly affects an employee's eligibility for particular benefits, newly-designated CIARDS participants should be given the opportunity to weigh the benefits of participating in FERS Special Category rather than CIARDS. The following are reasons they might choose FERS.

"Portability". From an employee's perspective, the portability of FERS could be very attractive. FERS was created with a view towards increasing the "portability" of a federal pension, i.e., the ability to transfer a major part of the accumulated funds to another retirement system, including one in the private sector. See, e.g., 5 U.S.C. §§8433(b)(4), (c)(4), (e)(1)). Individuals in this group, particularly those who are younger and believe they might not end up retiring from the federal government, may be attracted by this "portability".

Earlier Deferred Annuity. Related to portability, employees may now be attracted to the added flexibility that FERS provides in taking a deferred annuity at an earlier age. Under CSRDS and CIARDS, the earliest that an individual could receive a deferred annuity would be 62 years of age. See Central Intelligence Agency Retirement Act of 1964 for Certain Employees (CIARDS Act), §234, 50 U.S.C. §403 (note). FERS allows them to begin receiving a benefit at age 55 (in some cases with a penalty). This feature of FERS Special would enable employees to leave Federal service after as little as 20 years of service (regardless of age) and at age 55 to begin receiving annuity. See 5 U.S.C. §8413 referring to 5 U.S.C. §8412(h).

Higher Matched "Thrift" Contributions. A very attractive benefit for many would be the ability to contribute more than five percent of their base salary into the "Thrift Savings Plan" which, in turn, would be matched by the government. CIARDS participants are limited to contributing five percent to the "Thrift Plan" and can receive no matching contributions. 5 U.S.C. §8351(b)(2). Under FERS, an employee's annuity can be supplemented by voluntary employee contributions of up to ten percent, which, in turn are matched by the government (up to five percent). 5 U.S.C. §8432(a) (employee's contribution); 5 U.S.C. §§8432(c)(1)(A), (c)(2)(B) (government's contribution).

Social Security Benefits. By joining FERS, employees will be able to supplement their retirement annuity with Social Security benefits. This could be important to employees who want the advantage of Social Security coverage. An employee concerned about disability and survivor benefits might find the coverage under Social Security significant. If the employee qualifies for benefits under both FERS Special and Social Security, survivor and disability benefits could be substantially higher than those that could be received under CIARDS. See 42 U.S.C. §401 et seq; 5 U.S.C. §8425.

Better "High-Three" Accrual. For a very limited number of employees, the ability to accrue more than 70 percent of their "high-three" average salary would also be attractive. Under CIARDS, this is capped at 70 percent. See CIARDS Act, §221, 50 U.S.C. §403 (note). FERS Special does not have this limit, making transfer an important option, primarily for those who started working for the Federal government at an early age.

All of these reasons why the individuals to whom this provision gives the opportunity of making an "informed" choice might choose to join the FERS Special Category rather than remain in CIARDS.

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1 changing the word immediately thereafter from "Other" to
2 "other."

3 REPORTS CONCERNING INSPECTOR GENERAL ACTIVITIES

4 SEC. 504. The Central Intelligence Agency Act of 1949
5 (50 U.S.C. 403a et seq.) is amended by adding after section
6 16 the following new section:

7 "REPORTS OF INSPECTOR GENERAL ACTIVITIES
8 consistent with Title II of the National Security Act of 1949,

8 "SEC. 17. The Director of Central Intelligence shall
9 furnish to the Select Committee on Intelligence of the Senate
10 and the Permanent Select Committee on Intelligence of the
11 House of Representatives the following reports relating to
12 the activities of the Inspector General at the Central Intelli-
13 gence Agency:

14 "(a) A report made at the time any Inspector General is
15 selected by the Director of Central Intelligence, specifying
16 the name of the person selected, and certifying that such se-
17 lection was made without regard to political affiliation. Such
18 report shall also include a certification that the person select-
19 ed meets Central Intelligence Agency security requirements
20 and has had prior senior experience in the foreign intelligence
21 field. It should also describe the background of such person
22 as it relates to his or her experience in accounting, law, fi-
23 nancial analysis, management analysis, public administration,
24 other field directly relevant to the performance of functions
25 assigned the Inspector General.

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1 "(b) A report made at the time any Inspector General is
2 removed by the Director of Central Intelligence, specifying
3 the basis for such removal.

4 "(c) Semiannual reports, to be furnished not later than
5 June 30 and December 31 of each year, summarizing the
6 activities of the Office of Inspector General for the preceding
7 six-month period. Such reports shall include: (i) a certification
8 that such activities have been carried out in accordance with
9 accepted Federal standards for inspections, investigations,
10 and audits; (ii) a certification that the Inspector General has
11 had full and direct access to all information relevant to his
12 activities; (iii) a description of any violation of law or willful
13 violation of regulations, or any evidence of serious fraud,
14 waste and abuse [identified] during the reporting period; and
15 (iv) the status of corrective actions taken during the reporting
16 period [in response to Inspector General recommendations].

17 "(d) A report of any decision made by the Director of
18 Central Intelligence [to prohibit] the Inspector General [from] to
19 initiating, carrying out, or completing any audit, inspection,
20 or investigation within the Central Intelligence Agency, to be
21 made within seven days of such decision.

22 "(e) A report of any other decision made by the Director
23 of Central Intelligence which would substantially affect the
24 ability of the Inspector General to carry out his duties and
25 responsibilities. [Such report shall include the position of the

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1 Inspector General with respect to such decision, and be
2 ^{made} [transmitted] within seven days to the committees.”.

3 TITLE VI—FBI ENHANCED

4 COUNTERINTELLIGENCE AUTHORITIES

5 DEMONSTRATION PROJECT ON MOBILITY AND RETENTION

6 FOR THE NEW YORK FIELD DIVISION

7 SEC. 601. (a) Notwithstanding any other provision of
8 law, the Director of the Federal Bureau of Investigation and
9 the Director of the Office of Personnel Management shall
10 conduct a demonstration project to ascertain the effects on
11 the recruitment and retention of personnel, and on field oper-
12 ations in the New York Field Division of the Federal Bureau
13 of Investigation of providing—

14 (1) lump-sum payments to personnel upon directed
15 assignment to the New York Field Division from an-
16 other geographical location, and who enter into an
17 agreement to complete a specified minimum period of
18 service, not to exceed three years, in the New York
19 Field Division; and

20 (2) periodic payments to New York Field Division
21 employees who are subject by policy and practice to di-
22 rected geographical transfer or assignment.

23 (b) Such demonstration project shall commence no later
24 than ninety days after the date of enactment of this Act and

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1 shall terminate five years after such date, unless extended by
2 law.

3 (c) The Director of the Federal Bureau of Investigation
4 and the Director of the Office of Personnel Management shall
5 jointly provide to the President and the Congress annual in-
6 terim reports and, at the conclusion of the five-year period, a
7 final evaluation concerning the results of the demonstration
8 project.

9 TITLE VII—DEPARTMENT OF DEFENSE

10 INTELLIGENCE PROVISIONS

11 SEC. 701. (a) Section 421 of title 10, United States
12 Code, is amended to read as follows:

13 “§ 421. Funds for foreign cryptologic support

14 “(a) The Secretary of Defense may use appropriated
15 funds available to the Department of Defense for Intelligence
16 and communications purposes to pay for the expenses of ar-
17 rangements with foreign countries for cryptologic support.

18 “(b) The Secretary of Defense may use funds other than
19 appropriated funds to pay for the expenses of arrangements
20 with foreign countries for cryptologic support without regard
21 to the provisions of law relating to the use of the United
22 States Government funds, except that—

23 “(1) no such funds may be used, in whole or in
24 part, by or for the benefit of the Department of De-